UNITED NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/ECE/1327
14 March 1996

ORIGINAL : ENGLISH

ECONOMIC COMMISSION FOR EUROPE

Fifty-first session
(Provisional Agenda item 2)

SUSTAINABLE INDUSTRIAL DEVELOPMENT

Note by the Executive Secretary

Background

1. The Round Table conference on Cooperation and sustainable industrial development is an opportunity to review some of the impediments limiting industrial development in many transition economies and benefit can be drawn from views of both high level personalities from the business community and of ministers or senior officials. It is also an occasion to explore how the ECE forum can be better used to facilitate dialogue between Governments and the private sector on matters of international dimension or related to the reform process.

2. In several publications, such as the Bulletin, the Survey, "Industrial restructuring in selected countries in transition", the review ECE made at the request of OSCE on the implementation of the commitments contained in the document of the Bonn Conference on Economic Cooperation in Europe, as well as in various sectoral documents, ECE has raised the difficulties faced in limiting the development of the private sector. The main issues are summed up below, in Part I.

3. ECE has well-established relations with the enterprise sector, both public and private. The number of private entities involved in ECE activities increases regularly. Representatives of enterprises participate in many meetings as part of national delegations and contribute to the elaboration of many norms and standards. The enterprise sector also directly supports analytical and statistical activities as well as workshops, seminars and study tours. Annex I provides a comprehensive description of these activities. Enterprises have not so far been involved in the debate on the process of

reforms and Governments have not yet had the opportunity to take a global view of cooperation between ECE and the enterprise sectors, in particular private. Part II provides a brief analysis of interests at stake and proposes a step-by-step approach to strengthen dialogue with the private sector.

I. RESTRICTIONS ON ENTERPRISE COOPERATION AND INTERNATIONAL INVESTMENT

4. The economies of central and eastern Europe and the CIS are, as shown in ECE Surveys and Bulletins, beginning to turn the corner. Rates of growth are encouraging and the prospects for these to be sustained are promising. The markets are large with a huge pent-up demand for goods and services that exists nowhere else in the ECE region. Consequently, the conditions for enterprise cooperation and international investment in central and eastern Europe have improved dramatically. The legal restrictions on establishing enterprises have been removed in most of the countries of central and eastern Europe and only in a few CIS countries do the residual vestiges of the old investment regimes remain. Here too progress continues at a rapid pace. There are few if any major restrictions on repatriation of capital and profits. The strengthening of local currencies and their convertibility means that companies can earn good profits in the region.

5. Financing, however, is difficult with local banks favouring only short-term maturities but the growing establishment of foreign banks is a positive sign of the increasing confidence in the region. Getting legal audits is now possible and well established, even though it takes longer and costs more. Human resources have everywhere tended to be a success story. Few investors have been disappointed in the calibre of human resources which they have found. Foreign investors have become substantial employers and have encountered no significant problems with trade unions and the local workforce either. Crucial in the success of this opening up has been the elimination of obstacles to exports on western markets, particularly to the European Union as a result of Association Agreements and other arrangements, although improvements are required in the area of agriculture and high technology products. Trade facilitation techniques need to be improved too at all borders and amongst all business operators for integration to be more effectively achieved.

6. The quality of local partners has also made rapid progress although the formation of small and medium-sized enterprises has been slower than hoped due to the difficult economic situation and the problems of obtaining financing from local banks. Multilateral institutions such as the EBRD have been active in this area to improve the access of SMEs to lines of credit. Overall the conditions for doing business have improved notably.

7. Even so, the volume of investment is still too small, particularly to the CIS. In the "Review of the implementation of economic dimension commitments contained in the Document of the Bonn Conference on Economic Co-operation in Europe" (Geneva, 22-23 January 1996) the ECE secretariat has tried to identify why investment has not kept in line with the opening up of markets. At the beginning of the reforms, most Governments had thought the removal of barriers would lead automatically to a flood of foreign capital. The main difficulties have been the legal framework, enforcement, institutions that work and more

recently organized crime and corruption. All these factors have created a negative perception amongst the investor community and particularly amongst the most vulnerable, the SMEs. In addition, fears about political change are also attributable factors to this relatively poor performance in attracting investment. There is no doubt that most laws are now in place, that legal counsel has improved and that the court system is rapidly adapting. However, even when investors obtain a favourable judgement, there is no guarantee that it will be enforced. There are also problems of registering title and collateral although this is now more a problem in the CIS than in central Europe.

8. It has been repeatedly stressed by the ECE that a reliable legal framework is the basis for attracting FDI and promoting industrial cooperation, consisting of fiscal, insolvency, company and arbitration laws, investment protection, intellectual and commercial property rights, arbitration procedures, accounting systems and a well-functioning administrative framework. Generally speaking, many of these laws have been enacted but problems have occurred in their enforcement. First, the skills required are insufficient. Enforcing competition laws, for example, demands a specialized knowledge of the role of enterprises in a market economy and the ability to identify the precise activities of an enterprise responsible for generating a monopoly structure, and the ability to draw up plans if necessary for an effective break-up of the enterprise concerned. Second, many of the institutions are not in place to record property rights. This is true for registers of various types of security. Thirdly, new practices based on new laws cannot be changed overnight and need to be administered and implemented by various professional groups which in many countries in central and eastern Europe are underdeveloped. Finally, there are not enough lawyers and judges competent in civil and commercial law that are experienced in drawing up and enforcing contracts. These circumstances explain some of the impediments to the improvement of business conditions, as for instance difficulties in getting a clean title to assets that provides assurances on who owns the property, the problem of minority rights (most significant in those countries which have had a rapid transfer of ownership in mass privatization and where there are a large number of passive investors), the problem of collateralizing loans which is also connected with the difficulties surrounding ownership and control.

9. A related problem has been the difficulties for countries in central and eastern Europe and the CIS to develop the necessary systems of disseminating information about recently enacted laws. In part this problem is due to the speed of the legislative programme itself. The systems cannot cope with the huge volume of new legislation which is coming on to the statute books. It is also due to the poor quality of the public administrations in several CIS countries, a function of very low pay, and to official obfuscation, a legacy of the old times when legal information had only a restricted circulation and was at the discretion of those in power.

10. Progress has been significant in developing the protection and promotion of international investment through bilateral and multilateral arrangements. Many new bilateral treaties have been signed amongst the participating States. Several east European countries have also signed Association Agreements with

the EU and several CIS States have concluded special partnership and cooperation agreements with the EU which contain agreements on mutual protection of investments. The commitment to develop multilateral standards on the protection and promotion of investment is currently being implemented by the OECD and should be finalized in late 1997.

11. This exposé has focused on legal and administrative restrictions for international investments and enterprise cooperation. There are of course several other restrictive factors relating to, for instance, macroeconomic and fiscal stability and environmental policies.

12. International as well as national investors require, among other things, macroeconomic and fiscal stability in order to plan investment strategies. Rapid changes in macroeconomic and fiscal policies are inimical to this objective; firms will be more willing to invest if they can be reasonably confident of sustained and steady growth in demand. Controlling inflation and stabilizing exchange rates are important objectives because of the way they distort prices and push up interest rates. A minimum requirement is that investors are confident that government policies on these issues do not change at the first crisis that might arise and which might call for new and contradictory objectives in economic policies. Transition economies have made progress in this area but much still is required. Equally a commitment to sound public finances in necessary, as without it, the uncertainties and costs businesses face rise. High levels of government borrowing increase the burden of public debt, raise interest rates and ultimately force higher taxation rates. Unpredictable and high rates of taxation have created problems for enterprises in some transition economies.

13. Finally, there is the problem of the environment which is vital for sustainable industrial development. There is a need to deal with the legacy of the past and to enforce high standards in environmental control. Many transition countries have enacted new laws with exacting standards but the problem of who pays for the clean up and who is responsible for the legacy of the past has proved to be a stumbling block to greater foreign involvement in the region. In some cases, however, Governments have granted investors special environmental indemnities against the threat of legal action for environmental damage.

II. RELATIONSHIP BETWEEN ECE AND THE PRIVATE SECTOR

14. ECE's long history as a forum for promoting and carrying into effect international cooperation with the business community is described in the Annex "The UN/ECE and the Business Community". On the basis of existing experience and with the aim of filling the gaps in the relationship between the ECE and the business community, some suggestions are made below, in line with the recommendation of document E/ECE/1328, para 98, that cooperation with the business community should be strengthened through the elaboration of a "more consistent framework of cooperation with the business community".

15. The arguments contained in this note are based on a number of premises: firstly that ECE is an intergovernmental body; secondly that a more consistent framework of cooperation with the business community is one which better

addresses the concerns of the business community; thirdly that the private sector 's attraction to the ECE is by no means automatic and that only if the activities of the organization are relevant to it will it increase its role. It flows from this that a consistent framework of cooperation that strengthens collaboration is one which allows a meaningful dialogue to develop between the private sector and Governments.

A. How is the private sector involved in the ECE's present activities?

16. Several ECE activities benefit from the input of the business community and are of direct interest to it, namely:

(a) Adoption of international standards which have an impact on business activity, either for facilitating international trade and transport (standards for road vehicle construction and electronic exchange of structured data files (UN/EDIFACT)) or improving the environment (conventions on air pollution or industrial accidents).

(b) Collection of international statistics and data on production, trade and investment, either at national level or in specific areas (steel, chemicals, engineering industries, energy, trade and transport);

(c) Operational activities supporting specific programmes (e.g. Energy Efficiency, Gas Centre) and the organization of workshops, seminars, symposia and study tours in well-defined technical or business areas with the aim of facilitating contacts between companies in the ECE region, in particular between the east and west.

17. This cooperation takes different forms. First and foremost, the private sector has been, and continues to be, active in the ECE as part of Government delegations. Secondly, in a few instances, private enterprises second their businessmen to work with the ECE secretariat on specific projects, notably in the steel and chemical sectors. Thirdly, the private sector is prominent in Special Projects such as Energy Efficiency and the Gas Centre. Fourthly, the private sector is involved in ECE activities in the form of support groups to various PSBs. For example, certain of the activities of the World Business Council for Sustainable Development (WBCSD) can be seen as supporting the work of the Committee on Environmental Policy.

18. To date no ECE activities draw on the experience of the enterprise sector with the reform process at the macro level, i.e. at the level of the institutional framework and the macroeconomy. This may be due to the fact that the structure of collaboration described above, although strong at the working level, is not at the moment sufficient to permit effective dialogue between senior management and the Governments of ECE member States. So far senior management and government officials share platforms only during some activities, but these tend to be ad hoc events.

19. Even if there is no formal mechanism for high level dialogue between business and member Governments, there is no doubting that the private sector does appreciate the opportunity given by ad hoc seminars and similar occasions to hear from Government representatives about their ideas and polices on a

given topic of interest. This was made clear by the replies to a questionnaire survey of 300 private sector participants at a UN/ECE Forum on financing infrastructures in central and eastern Europe and the CIS in November 1995. These participants unanimously identified the possibility of dialogue with Governments as one of the most useful elements of the Conference.

B. What are the benefits of cooperation with the business sector for ECE member Governments?

(a) Expertise and experience

20. The skills that the private sector has at its disposal are vital for developing a whole range of projects that are important for member Governments, particularly those in transition to a market economy. As market operators with direct experience of the business environment they can inform Governments of weaknesses and shortcomings in the institutional framework and contribute thereby to making the programmes decided by the Governments more effective. Their views can help Governments to decide on the priorities for reform. This is particularly helpful for many Governments of transition economies who, faced with inadequate resources, must make difficult choices on the priorities for policy implementation.

(b) Resources

21. The private sector makes a significant contribution to the resources available to the ECE secretariat. This is particularly valuable in view of the severe financial crisis currently affecting the Organization. Such contributions are made in kind and in cash to trust funds. In 1995 the private sector contributed US$ 1,408,030 to UN/ECE trust funds. In the same year member Governments contributed US$ 2,329,114.

22. The value of private sector assistance to trust funds, while impressive, grossly underestimates the contribution that the private sector constantly makes to ECE resources, a good example of which is the development of the UN/EDIFACT standards in trade facilitation, where between one- and two thousand representatives from the private sector work on a pro bono basis on the development of these standards.

(c) Raising the profile and influence of the ECE

23. Governments, as never before, are anxious to listen to businessmen. Many ECE member States have devised new ways of forging partnerships with the private sector in their own countries. In this new climate, the involvement of the business community in ECE's work raises the ECE's profile and enhances its influence and prestige. The benefits mentioned above however, will continue or expand only if the work of the ECE appears pertinent to the concerns of the business community.

C. What are the main concerns of the business community as reflected in ECE's work?

24. The business community is not monolithic. Typically, enterprises have very different interests depending on their size, on whether they are domestic or foreign and on whether they are State- or privately-owned.

25. Nevertheless, with respect to doing business in the ECE region, it is possible to identify amongst the business community two broad types of concern, one at the macro and the other at the micro level. At the macro level, the concerns are related to barriers to trade and investment. These barriers still exist or threaten to reappear, despite the commitments from Governments to pursue policies of trade liberalization and economic integration, and more broadly there are still uncertainties in the implementation of laws and rules. This particularly frustrates the large multinational companies, who would be in the best position to benefit from the economies of scale created by open markets as well as the foreign small and medium-sized business enterprises, which hesitate to invest in transition economies because of a regulatory legal and fiscal framework that is uncertain and/or subject to constant change.

26. At the micro level, enterprises are concerned by their (in)ability to adjust to a more competitive environment and their lack of knowledge of foreign markets. These concerns are particularly felt by domestic enterprises in the transition economies.

27. These concerns at the macro and micro levels are confirmed by statistical data which reveal that, despite the opening up of markets between east and west, the level of trade and investment is still small, particularly amongst the economies of the CIS.

28. It is worth noting that outside the ECE region there is a growing tendency for the business community to assume leadership in promoting the goals of trade liberalization and market access. They have begun to do this at the level of new regional trade groupings or within country delegations to international organizations such as the WTO, where the private sectors of various countries were instrumental in forcing the pace of liberalization in some goods and services. Often, the concern of these enterprises at the macro level is to ensure that their Governments, who have agreed to trade liberalization, market access and an equitable treatment of domestic and foreign enterprises, actually implement their commitments.

D. How can the participation of the business community in ECE's activities be enlarged to maximize its benefits ?

29. There are three separate aspects to this question:

(a) Guidelines as a basis for future strategy to develop private sector participation

30. The significant benefits which the private sector brings to the work of the ECE have been noted above . However, often action is required by the

secretariat to properly channel private sector involvement so that it does not become counterproductive. For example, the ECE secretariat has had to convince the private sector not to use its fora as commercial occasions, to publicise their goods or services. On the other side of the coin, attempts to exploit the private sector simply for its financial resources should also be resisted. A few guidelines might therefore be proposed. Cooperation with the private sector should be encouraged only where it is:

- Demand driven, with the initiative clearly coming from member states or the private sector;
- Clearly in line with the work programme of the ECE;
- Aware of the UN rule which, inter alia, precludes use of the UN logo for commercial gain;
- Integrated within ECE's regular work programme and operates under the mandate of ECE;
- Participating in ECE operational activities devoted to assisting the transition process to market economies in full agreement with recipient countries.

31. Private sector cooperation should not be sought solely with the intention of raising funds for ECE. Neither should the ECE give favoured access to a select number of companies, or give access solely to State-owned enterprises.

(b) Enhancing current projects

32. The private sector is active in projects such as UN/EDIFACT, Gas Centre, Energy Efficiency 2000, but could be encouraged to become more so as a means of disseminating the products of these projects more extensively.

33. Working Groups that develop good ideas could launch initiatives which are financed by the private sector itself and which do not require significant secretariat resources. For example, under the auspices of the Working Party on International Contract Practices in Industry, a group of private sector experts has been constituted to draft model Guidelines on Build Operate and Transfer (BOT) techniques for central and eastern Europe. The advantages of these groups are that they are not constrained by resource limitations within the UN system. They can meet when necessary and can deliver their product efficiently.

(c) From Round Table conference on Cooperation and Sustainable Industrial Development to Permanent UN/ECE Business Council?

34. From the review made above , there is as yet no permanent high level structure within ECE that allows proper and permanent dialogue between Governments and the private sectors/business communities. All existing activities are carried out without an overall review of the relations between the ECE and the business community. This raises the question whether to do this it is necessary to establish a permanent body of representatives from the private sector and the ECE.

35. Supporting the idea, mention could be made of the apparent support for such an idea from the business community itself; the setting up of business-

Government Councils at the highest level in other regions of the world; the growing desire of ECE members that their activities be of direct relevance to the business community; and the singular ideal position of the ECE as the only international multilateral agency with Government membership from the whole region. This being said, the resource question must not be overlooked. ECE resources will not increase and indeed may well decline in the short term. Any new initiative must therefore take into account the resource implications.

36. Accordingly, it would be prudent to proceed step-by-step, as follows:

- first, see how the Round Table develops as a forum that provides an opportunity to open a dialogue between the private sector and Governments at the highest level.

- second, consider establishing an informal group including some of the participants in the Round Table, to review ECE activities involving the private sector and to report to the Commission.

- third, canvass the opinions of the business community for this proposal and draw from the experience of other regional multilateral agencies which have established similar business councils.

Concluding Remarks.

(a) Business has had a long standing cooperation with the ECE of mutual benefit, operating at various levels and in various forms.

(b) The different modalities of cooperation could be continued and expanded. Private sector representatives can continue to play a prominent role within the ECE and address its meetings.

(c) Trade and investment barriers area of major concern to the business community. Dialogue is needed between ECE member Governments and the business community on the ways and means of removing them. Experience shows that dialogue between Governments and the business community is crucial for reforms to become stable and permanent in the transition economies.

(d) Further Round Tables on Sustainable Development should take place. The progress towards the establishment of a permanent UN/ECE Business Council should be encouraged but by taking a step-by-step approach.

ANNEX

THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE AND THE BUSINESS COMMUNITY

I. AN OVERVIEW OF THE COMMISSION'S INTERACTION WITH THE BUSINESS COMMUNITY

1. Established in 1947, the Economic Commission for Europe's main objective in its initial phase was the coordination and promotion of international economic cooperation for the reconstruction of post-war Europe. To this end, it cooperated with the business community in the latter's effort to supply strategic materials such as coal, timber and steel for the reconstruction of vital industrial sectors and infrastructure. Over the years, the promotion of dialogue and cooperation between countries of the region with different economic systems became a major task of the Commission. At the end of its fifth decade, ECE continues to serve as the longest-standing permanent intergovernmental multilateral body for the promotion of pan-European and transatlantic economic cooperation.

2. Since its inception, the ECE has maintained extensive relations with the private sector, whose active participation in the Commission's work has proved to be essential. This sector's interest in the Commission's work has evolved with the changing political and economic situation in the region. This is explained by the fact that the ECE is one of the few regular forums where a multilateral and comparative perspective can be taken with both the business community and government officials.

3. In 1990, the Commission issued a brochure entitled "ECE and the Business Community" which describes its long-standing relations with the private sector. The brochure served as an ECE contribution to the Bonn Conference on Economic Cooperation in Europe held in March/April 1990.

4. The ECE relates to the business community in a number of ways. It:
- provides relevant information and publications related to its work;
- draws up conventions and norms;
- promotes trade and investment; and
- provides assistance to countries in transition.

5. The business community's participation in ECE activities takes various forms:
- contribution of expertise and material to symposia and other meetings;
- participation in the formulation and implementation of the work of various ECE Principal Subsidiary Bodies;
- active participation in seminars, round tables, workshops and study tours organized under ECE auspices, which provide opportunities for business contacts; and
- involvement in technical cooperation programmes.

6. A practice has been developed whereby non-governmental organizations, including the business sector, participate in the Commission's work with a

minimum of formalities. Those with ECOSOC consultative status can attend automatically. In addition more than 70 professional organizations have sought and obtained consultative status with ECE. They participate in its meetings, offer expert opinions and contribute to the decision-making process in areas that affect their areas of interest. Many other business associations are invited in an expert capacity to participate in the Commission's work. The Commission has participated as an observer or prepared substantive contributions at various economic forums, including Davos and Crans Montana.

II. KEY FIELDS OF INTEREST TO THE BUSINESS COMMUNITY

Programme of Workshops

7. The Commission is responding to the needs of the countries in transition by offering technical assistance, the transfer of specific information and know-how as well as assistance in capacity building. Current ECE technical assistance activities take the form of advisory services to Governments, technical cooperation programmes and projects and demand-driven, self-financing workshops on issues relevant for transition businesses. The ECE programme of workshops is financed through extra-budgetary resources, to a large extent by the countries in transition themselves. The programme, including study tours and visits, is supported by the business community and by bilateral contributions in cash and in kind from Governments and private sponsors in market economies.

Trade facilitation

8. ECE has been at the vanguard of technical progress by launching and developing the rules known as UN/EDIFACT (United Nations Electronic Data Interchange for Administration, Commerce and Transport), which is the world standard for business data interchange. UN/EDIFACT is a "paperless trading system" using computer-to-computer transfer of commercial or administrative transactions between business firms or international organizations. This has been achieved with the active participation of the business community. Several thousand experts world wide, mainly specialists from enterprises, are involved in the formulation of UN/EDIFACT messages and recommendations for the electronic exchange of trade and transport data. The role of ECE is to provide guidance, coordinate the work and authenticate and disseminate the messages.

East-West trade and investment promotion

9. A number of seminars have been held on East-West trade promotion, marketing and business contacts. The most recent was the high-level Forum on Attracting Investment for Large-scale Infrastructure Projects in the Countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS), held in November 1995, in Geneva, with the assistance of International Business Communications Limited (IBC, UK Conference Ltd). This Forum brought together some 300 participants, the vast majority of them from the private sector, to explore the feasibility of applying new methods of financing infrastructure projects in the region, involving private enterprises. The Forum also discussed how international organizations can assist the transition

economies in facilitating finance instruments through the drawing-up of guidelines or new training possibilities. The Forum recommended that an expert group of private- and public-sector representatives should be established to develop guidelines on new project financing and construction budget techniques for the countries of central and eastern Europe and the CIS, under the aegis of the ECE Working Party on International Contract Practices in Industry.

10. Since 1990, the legal guidelines published by ECE on the conduct of business in central and eastern Europe have been particularly well received, as has the quarterly review East-West Investment News which provides information on new legislation, developments in privatization and investment trends. Publications such as the Recommendations on the Transport of Dangerous Goods, the European Agreement concerning the International Carriage of Dangerous Goods (ADR) and the Regulations annexed to the 1958 Agreement concerning the adoption of uniform conditions of approval and reciprocal recognition of approval for motor vehicle equipment and parts are, by virtue of their usefulness to the private sector, among the 10 United Nations publications with the broadest geographical sales distribution.

Environment and human settlements

11. During the last 15 years, nine international legally binding instruments, four conventions and five protocols have been developed in the ECE on air pollution, environmental impact assessment, industrial accidents and transboundary waters. These treaties, which are important elements of a common European legal framework, are concrete and effective instruments to eliminate the former dividing line between east and west and to integrate countries with economies in transition into a pan-European legal and economic space. The ECE has also expanded programmes on low-waste technology and waste management. Questions such as slum clearance, urban renewal, recreation space and the protection of historically or architecturally important buildings and sites are also dealt with in ECE. The business community participates in all of these activities, which contribute to a cleaner and healthier environment.

"Environment for Europe" process

12. The "Environment for Europe" process is an umbrella concept which encompasses a range of actions, initiatives and studies, conducted by many national and international organizations. It aims at generating environmental action and solidarity in the ECE region. The process, started in 1991, has been coordinated by the ECE. Environment Ministers from the ECE region attending a Ministerial Conference on the Environment took further steps in the "Environment for Europe" process by adopting a Ministerial Declaration in Sofia, Bulgaria, on 25 October 1995. The Conference focused on the theme "Partners in Cooperation". With the adoption of the Ministerial Declaration, Ministers endorsed the Environment Programme for Europe (EPE) prepared under ECE auspices, in particular the key recommendations for action in Europe. ECE was invited to assess and report on progress made in implementing the Programme to the next Conference (Denmark, May 1998). The Ministers acknowledged the important role of ECE in overseeing the "Environment for Europe" process in close cooperation with relevant agencies and the business

community. The International Chamber of Commerce (ICC) is embracing business involvement in the "Environment for Europe" process and is organizing seminars. The World Business Council for Sustainable Development (WBCSD), formed in January 1995 through the merger of the Business Council for Sustainable Development and the World Industry Council for Environment, is a coalition of more than 120 international companies which aims to promote eco-efficiency through high standards of environmental management and the development of projects.

Transport

13. ECE has formulated a wide range of transport agreements and conventions to help create the necessary regulatory basis, including the harmonization of customs procedures. These legal instruments cover, for example, road accident prevention, transport of dangerous goods, development of infrastructure and legal and administrative procedures for transport operations, including customs. The TIR marking on the back of lorries moving goods is the result of an ECE customs convention which permits loads to be moved across frontiers without time-consuming and expensive delays at intermediate customs.

Motor vehicle standards

14. Over 80 regulations concerning the construction of motor vehicle parts and equipment drawn up within the framework of ECE are constantly updated. The aforementioned 1958 Agreement seeks the adoption of the highest possible standards concerning road safety and the protection of the environment while facilitating international trade in motor vehicles and equipment by eliminating technical barriers. Representatives of the manufacturing industry are active in the formulation and implementation of this work.

Industrial cooperation

15. In industry, ECE has a record of successful cooperation with business circles. The Commission's activities in the industrial fields of chemicals, steel and engineering and automation attract a wide variety of groups from the private sector. In fact, 80 to 90% of the participants come from this sector. Business circles gravitate to these activities for several reasons. Foremost is the possibility to explore investment opportunities, contact potential partners and enter new markets. The business community also benefits from the exchange of information on a multilateral level at ECE meetings.

16. Cooperation takes place at the international, regional and national levels. Such prominent international associations and firms as the International Iron and Steel Institute (IISI), the European Chemical Industry Council (CEFIC) and the International Federation of Robotics (IFR) participate in the ECE's work. At the regional and national level, Euro Plastic, Euro Chlor, the French Chemical Industry Association, the Euro-Asia Mining and Steel Association, and other business associations are represented at ECE industry events. At a recent round table on the environmental impact of the chlorine industry, the Chairman of Euro Chlor, an organization which represents all European chlorine producers, stated its aim to assist countries

in transition, with the support of the ECE, in improving the safety of their plants and in reducing emissions. The Financial Times, the Steel Times and other professional journals report regularly on ECE seminars, round tables and publications on steel, robotics and chemicals.

17. A Trust Fund for Industry Structural Change and Development has been set up and supported by contributions from Governments and the private sector. Contributors include Austria, Belgium, Japan, and the Republic of Korea. A total of US$ 800,000 is provided each year. It is used to engage four professional staff representing each country. These professionals, who come from the private sector, acquire valuable international experience at the United Nations and in turn impart their expertise to the Organization. Some countries have committed themselves to the Trust Fund up to the year 2002.

Energy

18. ECE has extensive relations with the business sector in the coal, electrical and natural gas industries. To date these relations have been highly satisfactory. Energy-supplying industries are involved in the ECE Gas Centre while energy technology manufacturing industries, such as Rolls Royce and Siemens, participate in the Energy Efficiency 2000 Project. These projects provide a window to multiple business opportunities in central and eastern Europe.

19. In January 1994, a Gas Centre for the Promotion and Development of a Market-based Gas Industry in Economies in Transition was established upon the initiative of the ECE Working Party on Gas. Promotion and validation of foreign investment in the gas industries is at the forefront of the Centre's activities. This project involves some of the largest natural gas enterprises in the region. An advisory board, consisting of representatives of enterprises, Governments and other organizations supporting the Gas Centre, assists the ECE secretariat in administering the programme, according to the implementing decision of the Working Party on Gas.

III. DIFFICULTIES ENCOUNTERED

20. Although the business sector has welcomed and actively participates in the Commission's activities, difficulties have nevertheless arisen in certain areas. ECE experience shows that administrative bottlenecks in the management of extra-budgetary funds has dissatisfied a number of contributing companies from the business sector. For example, the donations in foreign currencies were not converted into Swiss francs at the appropriate time resulting in losses due to currency fluctuations. The lengthy administrative process to establish trust funds as well as to receive the contributions donated by the business community represents another hindrance in promoting cooperation. At times, public awareness tools have been inadequate and resource constraints have impeded efforts to meet the business sector's requests. In the field of EDIFACT, it was not possible on several occasions to supply businesses with new messages on diskettes. Differing approaches regarding the formulation and implementation of projects also exist between government officials and the business community.

IV. PROPOSALS FOR FACILITATING RELATIONS WITH THE BUSINESS COMMUNITY

21. Notwithstanding the interest and participation of the business community in ECE activities, it would be necessary to introduce a number of innovations so as to develop and expand this ongoing cooperation further. Some concern the United Nations as a whole, others could be decided at the ECE level.

(a) An outreach programme could be set up to show the business community how it might better cooperate with ECE, which is primarily an intergovernmental organization;

(b) Public information tools could be developed to promote ECE publications, products and services of interest to the business community. United Nations cooperation with commercial publishers could be intensified to achieve savings in the publications programme and to reach a larger audience;

(c) The setting-up of a business advisory board could represent a further step in better organizing interaction between ECE and the business community. The current practice for many ECE working parties and expert group meetings which permit the business community to observe technical meetings of interest to them should be encouraged. The advisory functions of the business community should also include financial engineering for the proposed programmes;

(d) Consultations should be strengthened with the business community through the established business councils, chambers of commerce and business forums such as Davos and Crans Montana. The United Nations should attain greater visibility in the business community's activities through the organization of and participation in workshops and consultative meetings;

(e) Following experience in energy and industry; more pilot programmes and projects could be developed in ECE with the financial support of the business community, based on the common interests of Governments, the United Nations and the business community;

(f) The management of extra-budgetary funds contributed by the business community should be improved, including the preparation by New York of flexible administrative guidelines understandable by the business community;

(g) In Europe contributions from business to the United Nations are not exempted from tax. Some legal work should be undertaken to explore how contributions of this kind could be facilitated in the future, possibly through the United Nations Headquarters in New York;

(h) The channels of communication between business councils established for the United Nations, chambers of commerce and business associations should be brought to the attention of United Nations programme managers, since the ongoing initiatives are still sporadic and depend solely on initiatives proposed by programme managers or interested business partners.